NPA Norms for Agricultural Finance

717. SHRI RAMA MUNI REDDY SIRIGIREDDY: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Reserve Bank of India has refixed NPA norms for agricultural finance;

(b) whether it is also a fact that the Monetary and Credit Policy statement for 2004-05 asked the banks to waive off the security requirements of agricultural loans up to Rs. 50,000; and

(c) if so, in what manner it would help agriculturists to imporve their productivity and get better results?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) In order to align the repayment dates of agricultural bans with harvesting of crops, Reserve Bank of India (RBI) has advised all scheduled commercial banks on June 24, 2004 that with effect from September 30,2004, the following revised Non-Performing Asset (NPA) norms will be applicable to all direct agricultural advances:

(i) A loan granted for short duration crops will be treated as NPA, if the instalment of principal or interest thereon remains overdue for two crop seasons;

(ii) A loan granted for long duration crops will be treated as NPA, if the instalment of principal or interest thereon remains overdue for one crop season.

(b) and (c) In order to enable borrowers, particularly small borrowers/ farmers to access adequate credit from institutional sources, RBI as announced in its Annual Policy Statement for the year 2004-05, advised all scheduled commercial banks on 18th May, 2004 to waive margin/security requirements for agriculture loans up to Rs. 50,000/- and in case of agri-business and agri-clinics for loan up to Rs. 5,00,000.

Revival of pension facilities

718. SHRI KALRAJ MISHRA: Will the Minister of FINANCE be pleased to state:

(a) whether Government have examined the question of revival of pension facilities of Government employees after 1 st June, 2004; and

(b) if so, the decision since taken in the matter?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Government employees (except the armed forces in the first stage) recruited after January 01, 2004 are entitled to the New Pension Scheme benefits. It is a defined contribution pension system and is mandatory for all such new recruits.

Ban on External Commercial Borrowing

719. SHRIMATI PREMA CARIAPPA:

SHRI MOTILAL VORA:

Will the Minister of FINANCE be pleased to state:

(a) whether Government have imposed a complete ban on External Commercial Borrowing (ECB) by Indian companies;

(b) if so, the reasons therefor;

(c) whether the Ministry of Finance has undertaken a review on the issue of ECB; and

(d) if so, whether Government proposed to lift the ban on ECB to help corporate sector in getting cheap funds abroad?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) No, Sir.

(b) Does not arise.

(c) and (d) The policy on External Commercial Borrowings (ECB) is reviewed periodicjlly by Gvoernment in consultation with the Reserve Bank of India (RBI). ECB policy was last reviewed in January, 2004; based on which the current ECB guidelines were notified by RBI on 31st January, 2004.

As per these guidelines, all corporates registered under the Companies Act, except financial intermediaries, are eligible borrowers under the automatic route for ECBs up to USD 500 Million. Proposals not covered under the automatic route are considered by a committee set up by RBI.

ECBs can be raised for investment in the real sector, that is, the industrial sector, including small and medium enterprises, and the infrastructure sector.